95th Congress, 1st Session - - - Senate Report No. 95-81

LEGISLATIVE REVIEW ACTIVITY

REPORT

OF THE

COMMITTEE ON FINANCE UNITED STATES SENATE

FOR THE

94TH CONGRESS

PURSUANT TO

SECTION 136 OF THE LEGISLATIVE REORGANIZATION ACT OF 1946, AS AMENDED BY THE LEGISLATIVE REORGANIZATION ACT OF 1970 AND BY PUBLIC LAWS 92-136 AND 93-344

MARCH 31 (legislative day, FEBRUARY 21), 1977.—Ordered to be printed

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Mr. LONG, from the Committee on Finance,
submitted the following

REPORT

[Pursuant to sec. 136 of the Legislative Reorganization Act of 1946, as amended by the Legislative Reorganization Act of 1970 and by Public Laws 92–136 and 93–344]

FOREWORD

This report by the Committee on Finance on its legislative review activity during the 94th Congress is submitted pursuant to section 136 of the Legislative Reorganization Act of 1946 (2 U.S.C. 190d), as amended by Public Laws 91–510, 92–136, and 93–344. The statute requires standing committees of the House and Senate to "review and study, on a continuing basis, the application, administration, and execution" of laws within their jurisdiction and to submit biennial reports to the Congress. The full text of section 136 follows:

> SEC. 136. (a) In order to assist the Congress in—
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> (1) its analysis, appraisal, and evaluation of the application, administration, and execution of the laws enacted by the Congress, and
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> (2) its formulation, consideration, and enactment of such modifications of or changes in those laws, and of such additional legislation, as may be necessary or appropriate, each standing committee of the Senate and the House of Representatives shall review and study, on a continuing basis, the application, administration, and execution of those laws, or parts of laws, the subject matter of which is within the jurisdiction of that committee. Such committees may carry out the required analysis, appraisal, and evaluation themselves, or by contract, or may require a Government agency to do so and furnish a report thereon to the Congress. Such committees may rely on such techniques as pilot testing, analysis of costs in comparison with benefits, or provision for evaluation after a defined period of time.

(b) In each odd-numbered year beginning on or after January 1, 1973, each standing committee of the Senate shall submit, not later than March 31, to the Senate, and each standing committee of the House shall submit, not later than January 2, to the House, a report on the activities of that committee under this section during the Congress ending at noon on January 3 of such year.

(c) The preceding provisions of this section do not apply to the Committee on Appropriations of the Senate and the Committees on Appropriations, House Administration, Rules, and Standards of Official Conduct of the House.

The Committee on Finance, in the course of its work, publishes additional committee prints reporting on various aspects of legislation within its jurisdiction. Copies of those committee prints, as well as additional copies of the instant report, can be obtained from the office of the committee, room 2227, Dirksen Senate Office Building, Washington, D.C. 20015. Written requests should be accompanied by a return address label.

REPORT OF LEGISLATIVE REVIEW ACTIVITY OF THE COMMITTEE ON FINANCE DURING THE 94TH CONGRESS

Rule XXV of the Standing Rules of the U.S. Senate provides that at the commencement of each Congress there shall be appointed a—

Committee on Finance to which committee shall be referred all proposed legislation, messages, petitions, memorials, and other matters relating to the following subjects:

1. Except as provided in the Congressional Budget Act of 1974, revenue matters generally;
2. Except as provided in the Congressional Budget Act of 1974, the bonded debt of the United States;
3. The deposit of the public moneys;
4. Customs, collection districts, and ports of entry and delivery;
5. Reciprocal trade agreements;
6. Transportation of dutiable goods;
7. Revenue measures relating to the insular possessions;
8. Tariffs and import quotas, and matters related thereto;
9. National social security;
10. General revenue sharing;
11. Health programs under the Social Security Act and health programs financed by a specific tax or trust fund.

Legislation before the Committee on Finance commonly falls into three major categories: amendments to the internal revenue laws, to the Social Security Act (which includes old age, survivors and disability insurance, medicare, medicaid, public assistance, and unemployment compensation programs) and legislation affecting foreign trade and tariffs. Legislation relating to the bonded debt of the United States also within the committee's jurisdiction. Legislation relating to the Government's authority to renegotiate contracts was also within the committee's jurisdiction until it was transferred to the Committee

on Banking, Housing, and Urban Affairs at the beginning of the 95th Congress.

Following is the report of the Committee on Finance on its legislative review activities during the 94th Congress.

Legislative Review of Programs Under the Social Security Act

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Title II of the Social Security Act provides monthly benefit payments to retired and disabled workers who have sufficient credit from employment and self-employment in work subject to social security taxes. Benefits are also provided for the dependents of such workers and for the survivors of deceased workers. Over the years, benefit levels under this program have been periodically reviewed and adjusted to keep pace with changing economic conditions. Legislation providing for specific benefit increases was enacted in each of the 89th through 93d Congresses. In the 94th Congress, however, specific legislation to increase benefits was not enacted since automatic increase provisions had been incorporated into the permanent structure of the program in 1972. Under these automatic increase provisions, benefit levels were adjusted in June 1975 by 8 percent and again in June 1976 by an additional 6.4 percent.

Although the automatic benefit increase provisions eliminated the need for specific legislation in that area during the 94th Congress, the Committee on Finance continued the careful oversight over the status of the social security program which had always accompanied such legislation in the past. During the 93d Congress, the committee had commissioned a panel of actuaries and economists to provide an independent review of the financial status of the social security trust funds in the light of indications of a potentially serious deficit in their long-range balances.

The report of the Panel on Social Security Financing was received by the committee at the beginning of the 94th Congress and was printed in February 1975. The report concluded that the financing problems were more severe than had been indicated in the 1974 report of the Board of Trustees of the Social Security Trust Funds. Subsequently, the Board of Trustees issued their 1975 report which largely confirmed the findings of the panel appointed by the committee.

Following up on the results of the 1974–75 panel, the Committee on Finance requested the Congressional Research Service to execute a contract with a second panel of actuaries and economists to review alternative measures which might be taken to strengthen the financial status of the social security program. Such a panel was appointed in April 1975 and its report was completed and printed by the committee in August 1976.

During the 94th Congress, the committee also acted to reduce the reporting requirements imposed upon employers in connection with the payment of social security taxes. Legislation enacted during the preceding Congress had directed the Secretary of the Treasury and the Secretary of Health, Education, and Welfare to study and report recommendations concerning a combined social security-income tax reporting system for employers. This report was issued on December 31,

1974, and in December 1975, the Committee on Finance reported legislation, which was subsequently enacted, authorizing such a combined reporting system. Under this law, when it is fully implemented, employers will no longer be required to submit five separate reports each year concerning wages paid to employees (four quarterly social security reports and the annual income-tax withholding report). Instead, a single annual report of the wages paid to each employee will be used for both income tax and social security purposes. This change should substantially lighten the paperwork burden on employers and also permit certain economies in the processing of these reports by the agencies involved.

Administrative difficulties in the operation of programs by the Social Security Administration have become a matter of great concern in recent years. Particularly troublesome are the lengthy delays claimants have experienced in the hearings process, where huge backlogs had developed to the extent that the average time from initial application to hearing decision had reached 20 months. The committee determined that one significant cause of this problem was the inefficient utilization of hearings officers as a result of the establishment of two separate corps of such officers—one for the supplemental security income (SSI) program and another for the old-age, survivors, disability, and health insurance programs, (OASDHI). While the bulk of the claims heard by both corps involved the same issue—disability as measured against an identical definition—SSI hearings examiners were not permitted to hear cases involving OASDHI entitlement.

To deal with this situation, legislation was proposed and enacted authorizing the SSI hearings officers to also hear OASDHI cases for a temporary period ending December 31, 1978. The legislation also provided for ending by that same date the practice of using separate corps of hearings officers for the two programs since by that date those individuals serving as SSI hearings officers would have qualified for appointment as administrative law judges authorized to hear both OASDHI and SSI cases.

While this legislation was designed to alleviate the immediate crisis in the Social Security Administration hearings process, the committee felt that that process deserved more intensive review. In its report on this legislation, therefore, the committee favorably noted that the Social Security Administration had under consideration a contract with the Center for Administrative Justice to make a study of the social security appeals procedures and to make recommendations for any structural changes designed to improve both the speed and the quality of adjudications. This study is now underway.

Toward the end of the 94th Congress, a study by the General Accounting Office revealed that a substantial number of nonprofit organizations, which are exempt from social security coverage of their employees unless they waive that exemption, had neglected to file the necessary waivers although they desired coverage and had in fact paid social security taxes. This situation put the social security coverage of many employees of such organizations in some doubt and also raised a possibility of substantial costs to the social security trust funds if refunds for the incorrectly paid taxes were sought. Legislation was enacted to remedy this situation by deeming the necessary waiver of immunity to have been filed in most cases where a nonprofit organiza-

tion has paid the taxes without filing a waiver certificate. This change was made applicable also to organizations which had already claimed a refund of past taxes. In such cases, however, the taxes would have to be repaid for those employees whose coverage was to be restored.

Publications of the Committee on Finance during the 94th Congress related to the old-age, survivors, and disability insurance programs include:

The Social Security Act—As amended through January 4, 1975, and related laws (February 1975);

Report of the Panel on Social Security Financing (February 1975);

Social Security and Medicare Amendments (January 6, 1976);

The Social Security Act and Related Laws (including amendments through January 2, 1976);

Report of the Consultant Panel on Social Security to the Congressional Research Service (August 1976).

SUPPLEMENTAL SECURITY INCOME

The supplemental security income program (SSI), administered by the Social Security Administration, provides income assurance for needy aged, blind, and disabled persons. This program was enacted in 1972 and commenced operations in January of 1974. Under legislation enacted in the 93d Congress, benefit levels were increased by 8 percent in 1975 and by 6.4 percent in 1976. The program currently provides benefits sufficient to bring the income of an aged, blind, or disabled person up to $167.80 per month ($251.80 for an eligible couple). In determining these benefits, $20 of monthly income from any source is not counted and additional amounts of income from employment may also be disregarded. In many States these Federal benefit levels are further increased by State-funded supplementary payments.

By the start of the 94th Congress, the supplemental security income program had been in effect for a full year, during which many difficulties had arisen in the operation of the program. The committee directed the staff to undertake a thorough review of the SSI program with a view particularly toward separating those difficulties which simply represented normal start-up problems of a major new program from those which indicated more basic defects of administration or which required legislative resolution.

The staff study involved a comprehensive review of the policy and operations of the SSI program including extensive correspondence and direct consultation with Social Security Administration central office staff responsible for the program, field visits and telephone interviews with personnel at all levels of program operations, and numerous other activities including interviews with various interested organizations and agencies. At the time the study was undertaken, it was anticipated that is findings would be available to the committee in connection with consideration of major SSI legislation expected to be received from the House of Representatives. That legislation, however, was passed by the House of Representatives too late in the 94th Congress to permit the Committee on Finance to give adequate consideration to it. Consequently, only the most pressing issues were

addressed, leaving further consideration of program modifications to the next Congress.

When the SSI program was originally enacted, its provisions included the elimination of food stamp eligibility for SSI beneficiaries in view of the generally higher levels of cash provided by that program. This "cash-out" of food stamp eligibility was subsequently suspended in all but a few States in view of the fact that many individuals would have been adversely affected and in view of the expected restructuring of the entire food stamp program. Legislation was enacted twice during the 94th Congress to extend food stamp eligibility for SSI recipients, first to June 30, 1976 and then to June 30, 1977.

Also during the 94th Congress legislation was enacted to bring the appeals provisions of the SSI program more completely into conformity with those of the old-age, survivors, and disability insurance program. Under this legislation, the original congresisonal intent that the hearings process for the two programs should be essentially identical was reaffirmed, and provisions was made for merging the two corps of hearings officers serving the program into a single corps of fully qualified administrative law judges. This legislation is more fully described in the preceding section of this report, which deals with the old-age, survivors, and disability insurance program.

One of the significant changes resulting from the adoption of the supplemental security income program was the extension of benefits based on need to disabled children. Under the prior Federal-State program of aid to the disabled only persons over age 18 could qualify.

The committee found, however, that the extension of SSI benefits to disabled children was experiencing difficulties because of administractive delay in issuing guidelines as to how the definition of disability in the law was to be applied to children and because the provisions for referring recipients for vocational rehabilitation services were largely inoperative. This occurred because the vocational rehabilitation program is not designed to serve children. For these reasons, the committee recommended legislation, which was subsequently enacted, requiring criteria for applying the definition of disability to children to be published by mid-February 1977 and establishing a specal program of rehabilitative services for child beneficiaries. This program makes available $30 million per year for the next 3 fiscal years for services to disabled children under age 7 (and to children who have never been in school). Up to 10 percent of the funds may also be used for children up to age 16 but only for counseling, monitoring, and referral.

The committee also recommended provisions to assure that SSI beneficiaries would not lose medicaid eligibility in those instances where increases in social security payments result in the termination of cash SSI entitlement and provisions to assure the equitable treatment of the income of couples when one member of the couple becomes institutionalized. Another SSI amendment modifies the application of the program to individuals in certain institutions. The bar against any SSI payment to persons in non-medical public institutions is removed in the case of institutions serving 16 or fewer individuals, and a provision designed to assure that SSI payments are not used to underwrite care in substandard medical facilities is modified to require compliance with appropriate State or local standards rather than with Federal medicaid requirements. These amendments to the supplemental

security income program were included by the committee in the unemployment compensation amendments bill which was enacted at the end of the 94th Congress.

The committee also considered the issue of the relation between State-funded supplementary benefits and the basic Federal SSI payments as they interact when Federal payment levels are increased to offset changes in the cost of living. The committee approved a temporary amendment which would have assured that all States would be able without added State cost to raise State benefit levels so as to pass through to recipients the full amount of any increase in Federal payment levels. Subsequently, a floor amendment was approved and enacted into law making such a pass-through of Federal cost-of-living increases mandatory upon the States.

AID TO FAMILIES WITH DEPENDENT CHILDREN

Since 1937, the aid to families with dependent children (AFDC) program has provided public assistance to needy families with children who are deprived of parental support or care by reason of death, incapacity or continued absence from the home of a parent. In addition, beginning in 1961, States were given the option to extend the AFDC program to needy families with children whose fathers were unemployed. The AFDC program is administered by States or by counties under State supervision. The Federal Government matches AFDC costs at rates ranging from 50 to 78 percent. Families who are eligible for AFDC are also eligible for medicaid and food stamps. States set standards of eligibility and payment subject to broad Federal guidelines.

Under a law enacted in the 93rd Congress State welfare agencies were mandated to withhold, at the option of the recipient, the amount of the AFDC grant needed to purchase the recipient's food stamp allotment and to distribute the food stamp coupon allotment along with the reduced cash grant (usually by mail).

In response to problems encountered by some State welfare agencies in implementing this requirement, the Committee on Finance reported legislation making the procedure optional with the States. The provision was first enacted on a temporary basis through September 30, 1976, and was subsequently made permanent. The permanent provision gives States the option of not implementing procedures for issuing food stamps through withholding from AFDC grants, making such procedures available statewide, or making them available only in selected areas of the State. The legislation also provides that administrative costs incurred by States in conducting public assistance withholding procedures must be paid under the food stamp program, rather than under the AFDC program.

Prior to the Supreme Court's June 1975 decision in *Philbrook* v. *Glodgett*, an unemployed father eligible for unemployment compensation benefits was prohibited from receiving AFDC–UF, even if he met the AFDC–UF eligibility requirements and AFDC–UF payments would be higher than his unemployment benefits.

The Supreme Court held on June 9, 1975 that an unemployed father eligible for AFDC–UF who is also eligible for UC benefits must be

given the option of receiving either. The effect of this ruling is to allow individuals to receive the higher of the two types of benefits.

A provision in the Unemployment Compensation Amendments of 1976 requires unemployed fathers who apply for AFDC–UF to apply for and collect any unemployment compensation to which they are entitled before they can receive any AFDC–UF benefits for which they might also qualify. Under this provision States will supplement unemployment compensation benefits in those cases where the AFDC–UF benefits are higher, and the individual meets AFDC–UF eligibility requirements. When the AFDC–UF benefits are higher, the amount of the unemployment compensation received would be deducted from the AFDC benefit for which the claimant is eligible.

The amendment also provides, in connection with the requirements for registering for employment under the work incentive program and the unemployment compensation program, that the Secretaries of Labor and of Health, Education, and Welfare are to enter into agreements with each State which is willing and able to do so. These agreements will provide for the simplification of the procedures involved in such registration and, where possible, for a single registration to satisfy the requirements of both programs.

The 1976 unemployment amendments also included a provision aimed at promoting the integrity of the AFDC program, a subject of continuing concern to the committee. The provision requires State employment offices to supply certain information to the appropriate State agencies to aid in the administration of the AFDC and child support programs. This information is to include the individual's address, unemployment benefit status and whether he has refused any offers of employment.

An amendment included in the Tax Reform Act of 1976 provides that State or local government agencies charged with the administration of any general public assistance, driver's license, or motor vehicle registration law may require an individual to disclose his or her social security number for the purposes of administering such laws and for the purpose of responding to requests for information from an agency operating the AFDC program or the child support enforcement program.

SOCIAL SERVICES

Under the social services program, Federal matching funds are available on an entitlement basis to assist States in providing a variety of services to welfare recipients and other appropriate individuals. Examples of the types of services available under this program include child care, homemaker services, family planning, information and referral, protective services, and others. During the 93d Congress, the Department of Health, Education, and Welfare attempted by regulation to reduce State flexibility in this program by severely limiting the types of services which could be provided and the categories of individuals who could be served.

The Committee on Finance proposed legislation which would have increased State flexibility, allowing each State to decide the types of services to be provided and the eligibility requirements for those services. The legislation enacted at the end of the 93d Congress, however, did not go so far as the committee had recommended. It left each State

free to determine the types of services to be provided but established in the law a list of services which would not be eligible for Federal funding under the program, and it provided that Federal funding would be available only for services provided to welfare recipients and other individuals with incomes below specified limits. (Open eligibility was provided for certain limited services such as information and referral.)

The new social services legislation adopted during the 93d Congress became effective October 1, 1975. Since the legislation required for most services that recipients have incomes below specified levels, some States found that they would no longer be able to provide certain services without requiring an individual determination of eligibility. Services which had in certain States been provided on this basis included family planning services and services to aged persons in senior citizens centers. The Committee on Finance again recommended, and the Senate approved, legislation which would have given each State complete discretion to set eligibility requirements for social services. The House of Representatives, however, was unwilling to accept the Senate proposal in full. Agreement was reached, however, to allow family planning services to be provided without regard to income and to permit States to provide any service except child care without an individual eligibility determination provided that the recipients of the service are members of an eligible group. An eligible group is one for which the State can reasonably conclude that substantially all group members have incomes below 90 percent of the State's median income level.

The new social services legislation which became effective October 1, 1975, also included minimum staffing requirements for child care providers getting Federal funding through this program. These staffing standards were a modified version of the Federal Interagency Day Care Requirements of 1968, compliance with which had not previously been carefully monitored by the Department of Health, Education, and Welfare. Many States believed that compliance with the staffing standards in the law would substantially increase the cost of providing child care and consequently require a reduction in the amount of services provided.

In order to prevent an immediate cutback in child care services, the committee proposed legislation to temporarily defer the effective date of the Federal staffing standards while a more permanent resolution of the issue could be considered. This legislation, deferring application of the staffing standards for 4 months, was approved in early October. Immediately thereafter, the Committee on Finance conducted a public hearing on the problem of child care standards and alternative proposals to deal with this issue. On the basis of this hearing and other information developed by the committee, legislation was reported by the committee in January 1976 authorizing a permanent increase in Federal funding to assist the States in meeting the Federal child care standards and providing incentives for the employment of welfare recipients as child care staff. This legislation was approved by the Senate and, with some modifications, by the House of Representatives. The bill as approved by Congress was vetoed by the President and the veto was sustained.

In view of the Presidential veto, the committee found it necessary to develop compromise legislation. Under the new bill, which was finally enacted into law in September 1976, the suspension of federally mandated staffing standards was continued until September 30, 1977. During this same period, additional Federal funding totaling $240 million was made available to enable States to meet the Federal staffing standards if they found them appropriate and to assist in meeting other social services costs including the costs of child care standards which were not suspended. (Staffing standards for children over age 6 and child care standards related to matters other than staffing remain in force.) The legislation also provided during this temporary period for incentives for the employment of welfare recipients in child care jobs, for certain additional waivers of child care standards in specified circumstances, and for certain modifications in the conditions under which social services may be provided in the treatment of drug addiction and alcoholism.

In the course of its legislative review over social services and child care, the committee published a number of documents during the 94th Congress. In addition to the record of its October 8, 1975 hearing on "Child Care Staffing Requirements," the committee issued the following prints:

Staff Data and Materials Relating to Child Care Staffing Requirements (October 31, 1975);

Data and Materials on Proposals Relating to Federal Child Care Standards (January 1976);

H.R. 9803—Brief Description of Senate Amendments (February 1976);

Staff Data and Materials on Social Services Proposals (May 6, 1976);

H.R. 12455—Child Care; Social Services Eligibility; Treatment of Drug Abuse and Alcoholism (June 1976).

UNEMPLOYMENT COMPENSATION

Most employment in the United States is covered under the Federal-State unemployment compensation program. Covered workers who become unemployed qualify for benefits under conditions specified by State laws which meet certain general requirements of the Federal statute. Regular State benefits funded from State unemployment taxes are paid usually for a maximum of 26 weeks. In times of high unemployment, up to 13 additional weeks of benefits are available under the Federal-State extended unemployment compensation program. These benefits are funded half from State unemployment tax funds and half from the Federal unemployment payroll tax.

High levels of unemployment during the 93rd Congress led to the enactment at the end of 1974 of an emergency unemployment compensation program providing benefits for an additional 13 weeks for workers who had exhausted their entitlement to both regular and extended benefits. The new emergency benefits were to be funded entirely from Federal unemployment tax revenues (or from general fund advances to be repaid ultimately from those revenues).

Continuing high levels of unemployment at the start of the 94th Congress necessitated a temporary extension of the emergency benefits program to 26 weeks, making an overall maximum of 65 weeks of benefits under the regular, extended, and emergency programs. Legislation extending the new emergency program to 26 weeks was enacted in March 1975 effective only through June 30, 1975. On June 10, 1975, the Committee on Finance conducted a public hearing on the emergency unemployment compensation program and subsequently reported legislation extending the program until March 31, 1977, and providing for phasing the program down prior to that date as unemployment levels in various States declined. Under the legislation recommended by the committee and subsequently enacted into law, the maximum 26 weeks of additional benefits would be available in all States for the remainder of 1975. Starting in 1976, 26 weeks of additional benefits would be available only in States with insured unemployment rates of 6 percent or more; 13 weeks of additional benefits would be available in States with insured unemployment rates of 5 to 5.9 percent; and the program would become inoperative in States where insured unemployment rates declined below 5 percent.

In recommending legislation to extend the emergency benefits program, the committee was concerned over the availability of more than a year's benefits in a program intended to be a temporary bridge between jobs. For this reason, the committee recommended and the Senate approved the addition of special eligibility requirements for benefits beyond the 39th week of unemployment. Under these requirements, claimants would have to be willing to accept available training and would also have to take any reasonable job offer. The requirements concerning the acceptance of employment were not agreed to by the House of Representatives, but the requirement of accepting available training was incorporated into the law.

The legislation extending the emergency unemployment compensation program also included a requirement that the Department of Labor undertake a study and review of the program, its beneficiaries, and other needs of persons experiencing long term needs. The results of this study were required to be transmitted to Congress at the beginning of the 95th Congress.

During the 94th Congress, the committee also undertook the first major revisions to the basic unemployment compensation program since 1970. Hearings on this legislation were conducted in September 1976, and the Unemployment Compensation Amendments of 1976 became law on October 21, 1976. This legislation extended unemployment benefit coverage to the largest group of workers not previously covered—State and local government employees. Coverage on a limited basis was also extended to farm and domestic workers under this act.

A major concern of the committee in connection with this program was its financial status. Because of the prolonged period of high unemployment, both Federal and State accounts in the Federal Unemployment Trust Fund had become severely depleted. To meet these problems, the 1976 amendments provide a temporary increase of two-tenths of 1 percent in the Federal payroll tax which will remain in effect until general fund advances to the Federal unemployment accounts have

been repaid. The amount of annual earnings subject to Federal and State taxes was also increased from $4,200 to $6,000 effective 1978.

A number of other modifications of the unemployment program were included in the 1976 amendments including limitations on benefits to persons receiving pensions, to professional athletes, and to illegal aliens. In addition, the criteria for paying extended benefits (generally covering the 27th to 39th week of unemployment) were modified so that individual States may elect to provide such benefits whenever the State insured unemployment rate exceeds 5 percent. The legislation also established a 13-member National Commission on Unemployment Compensation which is charged with undertaking a comprehensive study of the program. The findings and recommendations of the commission are to be made by January 1, 1979, with an interim report required by March 31, 1978.

During the 94th Congress, the Committee on Finance printed the following documents related to unemployment compensation programs:

Staff Data and Materials on Unemployment Compensation (June 6, 1975);

H.R. 6900—Brief Description of Senate Amendments (June 24, 1975);

Staff Data and Materials on the Unemployment Compensation Amendments of 1976 (H.R. 10210) (September 3, 1976);

Unemployment Compensation Amendments of 1976 (October 20, 1976).

THE CHILD SUPPORT ENFORCEMENT PROGRAM

The child support enforcement program, enacted at the end of the 94th Congress as title IV–D of the Social Security Act mandates aggressive administration at both the Federal and local levels with various incentives for compliance and with penalties for noncompliance. The child support enforcement program leaves basic responsibility for child support and establishment of paternity to the States, but provides for an active role in the part of the Federal Government in monitoring and evaluating State child support enforcement programs, in providing technical assistance, and, in certain instances, in undertaking to give direct assistance to the States in locating absent parents and obtaining support payments from them. To assist and oversee the operation of State child support programs, the Department of Health, Education, and Welfare is required to set up a separate organizational unit under the direct control of a person designated by and reporting to the Secretary. This office reviews and approves State child support enforcement plans, evaluates and audits the implementation of the program in each State, and provides technical assistance to the States. The act also provides for a parent locator service within the Department of HEW's separate child support enforcement unit. The act further requires that a mother as a condition of eligibility for welfare assign her right to support payments to the State and cooperate in identifying and locating the father, securing support payments and obtaining any money or property to the family.

The effective date of the new child support enforcement law was to

be July 1, 1975. During the first session of the 94th Congress, however, the Congress approved legislation postponing the effective date to August 1, 1975, and authorizing temporary waivers allowing States to delay implementation of certain program requirements. The legislation also protected recipients in certain States from decreases in their grants as the result of child support payments being made to the State instead of directly to the family. It also restricted the disclosure of information about AFDC applications or recipients to purposes directly connected with the administration of the child support program or any other federally funded assistance program or with investigations to other proceedings related to such programs.The requirement that AFDC applicants cooperate in establishing paternity and collecting support payments was made inapplicable in cases in which it is determined to be against the best interests of the child to do so.

During the remainder of the 94th Congress the committee continued to watch with close concern the implementation and operation of the new child support enforcement program. Although the program has just been fully implemented in all States, program data already indicate that the child support program is beginning to work as the committee and the Congress intended with collections of child support more than double the cost of such collection. The legislative activity of the committee in the second session of the 94th Congress was therefore directed not at making any major changes in the law, but at making modifications, consistent with the original congressional intent, to clarify questions that have been raised, to provide administrative improvement, and to aid in the evaluation of the program.

In June 1976, Congress extended until June 30, 1977, Federal matching equal to 75 percent of the expenditures for providing child support enforcement assistance to nonwelfare families.

Also in June 1976, the committee reported and the Senate agreed to a bill to clarify the garnishment provision under title IV–D of the Social Security Act. The bill provided for the issuance of regulations for the executive, legislative, and judicial branches of Government, for the establishment of conditions and procedures to be followed in carrying out the garnishment provision and for limiting the amount of wagees subject to garnishment or wage assignment. Other provisions of the committee bill dealt with accounting and bonding procedures for child support collections, simplification of the incentive payment provisions, research and demonstration projects related to child support and reporting requirements. These provisions were not acted on in the House of Representatives prior to the conclusion of the 94th Congress.

A number of other provisions were enacted during the 94th Congress which will increase the effectiveness of the child support enforcement program. One of these amendments provides that any State (or political subdivision thereof) may use social security numbers in the administration of any tax, general public assistance, driver's license or motor vehicle registration law and, in administering such laws, may require any individual affected to furnish his social security account number (or numbers, if he has more than one). Moreover, State or local agencies administering such laws may require an individual to disclose his or her social security number for the purpose

of responding to requests for information from any agency operating the AFDC program or the child support enforcement program.

Another amendment enacted in the 94th Congress provides for the disclosure of tax return information to Federal, State, and local child support enforcement agencies. The Secretary of the Treasury may disclose return information related to the address, filing status, amounts and nature of income and the number of dependents reported in the case of individuals against whom child support obligations are being enforced under the child support program and in the case of individuals to whom such support obligations are owing. The Secretary may also disclose to the child support enforcement agencies information about the amount of gross income, the names and addresses of payors of such income, and the names of dependents but only if such return information is not reasonably available from any other source. This amendment corrects a problem pointed out in a General Accounting Office study of April 1976. The GAO found that in many cases the collection of child support could be more effective if better information were available on the income of the person from whom child support is being sought or received.

Still another amendment adopted in the 94th Congress mandates that employment security agencies furnish information to the child support enforcement agencies. This information is to include whether an individual is receiving or has made application for unemployment compensation and the amount of the compensation, the home address of the individual, and whether the individual has refused an offer of employment and, if so, a description of the employment offer.

The committee published two prints relating to child support:

Child Support Data and Materials;

Wage Garnishment, Attachment and Assignment, and Establishment of Paternity.

WORK INCENTIVE PROGRAM

The work incentive (WIN) program was enacted by the Congress in 1967 with the purpose of reducing welfare dependency through the provision of manpower training and job replacement services. In 1971 the Congress adopted amendments aimed at strengthening the administrative framework of the program and at placing greater emphasis on employment instead of institutional training. One of these amendments provided for a tax credit to employers who hire WIN participants. This credit is equal to 20 percent of the wages paid for a maximum of 12 months per employee.

During the 94th Congress the Committee on Finance reemphasized its concern with the employment of AFDC recipients by reporting a bill to require that mandatory WIN registrants actively seek work under a new program component called employment search. Supportive services, including child care, were also provided in the bill. The Senate passed a modified version of the committee bill. This provision, however, did not become law.

In the Tax Reduction Act of 1975, the committee recommended and the Congress enacted a new tax credit, similar to the WIN credit, but applicable to the employment of aid to families with dependent children (AFDC) recipients even if they are not participants in the

WIN program. The new provision is called the Federal/welfare recipient employment incentive tax credit. Eligible employees would have to have been AFDC recipients for at least 90 days prior to being hired and would have to be employed for at least 30 consecutive days on a full-time basis. (Certain exclusions apply, e.g., migrant workers and relatives of the employer.) As with the WIN credit, all employment up to 12 months per employee is eligible, and the other limitations and conditions of the WIN tax credit are generally applicable (except that there is no provision for recapture of the credit where employees are later terminated).

In the Tax Reform Act of 1976, the Committee on Finance recommended further modifications in the WIN tax credit and the Federal welfare recipient employment incentive tax credit provisions. In the case of the WIN credit, the minimum period of employment required to avoid recapture was reduced from 24 months to 6 months and a total exemption from recapture was provided if the employee was laid off because of a substantial decline in the employer's business. The maximum annual amount of credit per employee was substantially increased for both the WIN credit and the welfare recipient employment incentive credit (from $25,000 plus one-half of the excess to $50,000 plus one-half of the excess).

Also during the 94th Congress, special provisions for employees in child care jobs were incorporated into Federal welfare recipient employment incentive credit as a part of the legislation increasing child care funding and providing incentives for the employment of welfare recipients in child care jobs.

MEDICARE AND MEDICAID

Introduction

Throughout the 94th Congress the Committee on Finance, working primarily through the Subcommittee on Health, chaired by Senator Herman E. Talmadge of Georgia, continued its ongoing legislative review activities with respect to the medicare and medicaid programs.

As in the 93d Congress, much of this activity focused on reviewing the implementation of the health-related provisions of Public Law 92–603, the statute which contained the last major set of modifications in the medicare and medicaid programs.

These review activities led Senator Talmadge, chairman of the Health Subcommittee, to the conclusion that further changes in law were necessary in order to improve the administrative operation of the medicaid and medicare programs and in order to bring under control the continuing spiral in the costs of these programs.

Hearing on medicare and medicaid and the Talmadge proposal

In 1976 the Subcommittee on Health held 5 days of hearings on the operation of the medicare and medicaid programs and, specifically, how those programs would be affected by passage of the bill which had been introduced by Senator Talmadge, S. 3205.

The hearings focused on the areas addressed by that bill.

S. 3205 was entitled the Medicare and Medicaid Administrative and Reimbursement Reform Act. It contained three major sets of provisions.

The first set of these provisions dealt with the administration at both Federal and State levels of the two health financing programs. One of these provisions called for consolidating the Bureau of Health Insurance of the Social Security Administration, the Medical Services Administration of the Social and Rehabilitation Service and the Bureau of Quality Assurance of the Public Health Service into one unit—an Administration for Health Care Financing, which would have responsibility for the administration of the medicare and medicaid programs. Another provision, aimed at improving administration of the State medicaid programs, provided for the Federal Government to establish performance standards which the States must meet in their administration of the program. Failure to meet these standards would result in a cutback of Federal matching for administrative costs.

The second portion of the Talmadge bill consisted of a series of changes in the mechanism by which the programs reimburse hospitals.

The most important of these calls for a move away from our current cost-based reimbursement mechanisms toward a prospective or target rate reimbursement system for routine hospital costs. This new reimbursement system contains the potential for rewarding efficiently operated facilities and penalizing those which are run inefficiently.

The third major set of amendments in the Talmadge bill calls for changes in our mechanisms for physician reimbursement. One of these sought to limit reimbursement to hospital-based physicians and another sought to even out physicians' fees within different areas of a State.

Witnesses at the hearings included spokesmen from the Administration and from nearly every major interest group in the health care area, including the American Medical Association, American Hospital Association and representatives of the health insurance industry. As a result of the hearings the committee gained further knowledge of what effect the passage of the Talmadge proposals would have on the existing programs.

Following up on a number of constructive suggestions made during the hearings, Senator Talmadge and the staff began work on redrafting some of the amendments which will be reintroduced in the 95th Congress.

Review of cost and utilization control mechanism in European health care systems

The staff of the Subcommittee on Health joined with Senators Long and Ribicoff in a brief trip to Europe in August 1975 in order to study cost and utilization control mechanisms in several European health care systems. The countries visited were West Germany, the Netherlands, and England. A report by the staff on the findings from this visit was published in February 1976. This report both summarizes the cost and utilization control mechanisms and attempts to show how they relate to those used in the United States.

Hearings and action on the "Consent to Suit" requirements

In December 1975 the Congress approved Public Law 94–182 which contained section 111, a provision relating to reimbursement of hos-

pitals under the medicaid program. Under section 111, as a condition of participation in the medicaid program, States were required to waive their constitutional immunity to suits in cases involving the issue of adequacy of hospital reimbursement under medicaid. This provision had been approved as an additional mechanism to encourage States to meet the requirement of paying hospitals on the medicare reasonable cost basis or on an alternative reimbursement basis approved by the Secretary as resulting in reasonable payment.

Soon after passage of the legislation, the Nation's Governors, almost unanimously, expressed the opinion that it was unreasonable to require a State to waive its constitutional rights as a condition of participation in a Federal/State matching program.

In May of 1976 an oversight hearing was held before the Subcommittee on Health to explore the issues of appropriate hospital reimbursement and enforcement of Federal requirements in Federal/State matching programs. Testifying at that hearing were representatives from the administration, the National Governors' Conference and hospital organizations. Following that hearing the Finance Committee subsequently approved an amendment to repeal section 111, which became law (Public Law 94–552) in October of 1976.

Fraud and abuse—Medicare and medicaid

Members and staff of the Subcommittee on Health followed closely and coordinated with the activities of two other Senate committees in the area of fraud and abuse under medicare and medicaid. Senator Moss of the Senate Special Committee on Aging and Senator Nunn of the Permanent Subcommittee on Investigations of the Committee on Government Operations chaired hearings on various aspects of alleged fraud and abuse in the medicare and medicaid programs. Based upon the work of those two subcommittees, as well as independent efforts, Senator Talmadge introduced S. 3801, a bill directed toward more effective Federal action in dealing with the fraudulent and abusive activities disclosed by the Senate committees.

The provisions of S. 3801 were approved by the Finance Committee and the full Senate but failed to pass in the House. That legislation, in somewhat modified form, has been reintroduced in the 95th Congress on both House and Senate sides.

National health insurance

Members and staff of the Subcommittee on Health continue their activities in analyzing the various national health insurance proposals which were introduced during the 94th Congress. Again special attention was given to analyzing each of these proposals in the light of the knowledge gained from the committee oversight activities in the medicare and medicaid areas. The committee objective here has been to assure that when the Congress does act in the area of national health insurance, such action will be based upon years of legislative review activities with respect to medicare and medicaid so that the problems faced in the implementation of those programs will not be repeated in the implementation of any broader national health insurance program which might follow.

Legislative Review of Internal Revenue Laws

During the 94th Congress the Committee on Finance was extensively involved in revision of the Federal tax laws. In addition, three subcommittees, whose areas of legislative review principally involved tax matters, reviewed a number of areas and provisions of the Federal tax laws. Those subcommittees were the Subcommittee on Foundations, the Subcommittee on Private Pension Plans, and the Subcommittee on Administration of the Internal Revenue Code.

TAX REDUCTION ACT

Early in the 94th Congress, the committee took immediate action to check the sharpest economic decline experienced by the United States since the 1930's. To restore a rate of economic growth that would move the economy closer to full employment, the committee recommended appropriate tax reductions designed to increase purchasing power and investment incentives.

The Tax Reduction Act of 1975 provided a refund based on 1974 tax liability which gave the lagging economy an immediate injection of $8.1 billion.

Further individual income tax reductions were provided in the form of an increase in the low-income allowance, an increase in the percentage standard deduction, a tax credit for personal exemptions, and an earned income credit. The increase in the low-income allowance from $1,300 to $1,600 for single persons and to $1,900 for married persons had the effect of relieving many low-income taxpayers from the requirement of filing a Federal income tax return. The percentage standard deduction was increased to a maximum of $2,300 for single persons and $2,600 for married persons. A tax credit of $30 was made available for each taxpayer and dependent. A refundable earned income credit equal to 10 percent of earned income up to a maximum credit of $400, which was phased out at incomes between $4,000 and $8,000 was provided for low-income workers with families. These individual income tax reductions, all of which were to expire after December 31, 1975, injected a total of $9.3 billion into the economy during 1975.

A tax cut of $4.8 billion to stimulate business investment was provided in the form of an increase in the investment tax credit to 10 percent through 1976. An additional one percent investment tax credit for contributions to an employee stock ownership plan was included as well as a reduction in the tax rate on the first $50,000 of corporate taxable income.

In addition to a number of structural improvements in the tax laws, the Tax Reduction Act also included major changes in percentage depletion for oil and gas, foreign tax credits, and tax deferral of tax haven income.

REVENUE ADJUSTMENT ACT

Toward the close of 1975, although the economy had ended its downward slide, income levels and employment were still unacceptably low. The Finance Committee therefore approved an extension of

the stimulus provided in the Tax Reduction Act of 1975 through the first half of 1976.

Specifically, the act further increased the low-income allowance to $1,700 for single persons and to $2,100 for married persons, increased the maximum standard deductioin to $2,400 for single persons and $2,800 for joint returns, and provided a tax credit of $35 per individual or 2 percent of income up to $9,000. The refundable earned income credit and the reduction in corporate taxes on the first $50,000 of corporate taxable income were extended.

TAX REFORM ACT OF 1976

During the 94th Congress, the Committee on Finance also completed action on the most comprehensive revision of the tax laws since 1954. Some 22 days of hearings, three months in executive session, and 2 months of debate on the Senate floor finally culminated in enactment of the Tax Reform Act of 1976. This act contained 21 titles and over 200 provisions touching on almost every area of tax policy.

Through the Tax Reform Act, the committee sought to achieve four main goals. The first goal was to increase the equity of our tax system without unduly interfering with the efficiency and growth of our economy. Another important goal was simplification of our tax laws and forms so that the average taxpayer would not need professional assistance to comply with the law. A third goal was the continuation of the economic stimulus provided by the 1975 tax cuts for individuals and businesses. Lastly, the committee endeavored to improve the administration of the tax laws by making tax collection more efficient and by strengthening taxpayer's rights.

The committee attempted to eliminate the abuses associated with tax shelters, without interfering with economically meritorious investments. For farm operations, film purchases, equipment leasing, and oil and gas drilling, losses resulting from accelerated deductions were limited to the amount for which the taxpayer is "at risk." To prevent conversion of ordinary income into capital gains, the committee strengthened the existing recapture rules for real estate and professional sports franchises. Also approved were rules to restrict the use of limited partnerships to syndicate tax shelter benefits as well as limits on deductions for prepaid expenses.

The committee significantly strengthened the existing minimum tax, raising the rate from 10 percent to 15 percent, lowering the exemption to the greater of $10,000 or one-half of regular tax liability, and adding several new preferences to the tax base. The committee also provided that income eligible to be taxed at a maximum rate of 50 percent be reduced by all tax preference income. The maximum tax limitation in conjunction with the minimum tax was approved to reduce the incidence of tax avoidance by high income individuals.

Major reforms in the tax treatment of foreign income were also included in the tax bill. Some of the tax advantages for income earned abroad were eliminated; the use of foreign trusts to shelter income from tax was eliminated; the preferential treatment for income from corporations doing business in less developed countries was ended;

preferential treatment for capital gains in determining the foreign tax credit was ended; the preferences for Western Hemisphere Trade Corporations and China Trade Act Corporations were repealed; and tax incentives for corporations operating in U.S. possessions and Puerto Rico were extensively modified. Existing tax benefits have been denied for income earned in connection with foreign bribes or with participation in the Arab boycott of Israel or similar international boycotts.

Also, tax incentives for DISC's (Domestic International Sales Corporations) encouraging exports were limited by making benefits applicable only to the increase in exports over a base period level.

To promote capital formation, various incentives were included. In addition to extending the 10 percent investment credit and the corporate tax rate cuts for small businesses, the committee liberalized the deduction for net operating losses to encourage risk-taking, especially to help new businesses. Also provided was a modification of the investment credit to assist railroads and the airline industry. A major incentive for greater capital accumulations, designed to encourage the formation of employee stock ownership plans, was also approved. The committee extended the existing additional one percent investment tax credit and also permitted a company to claim an additional one-half of one percent investment tax credit if the employee contributes a like amount to an ESOP. The committee also made a number of technical amendments that resolve various issues which have discouraged many companies from establishing Employee Stock Ownership Plans.

The act also revised the tax treatment for capital gains and losses. It raised the amount of ordinary income against which capital losses may be offset, lengthened the holding period defining long-term capital gains and losses, and extended the capital loss carryover period for mutual funds from 5 to 8 years. The bill also increased the amount of capital gain that may be excluded from income upon the sale of a principal residence by an individual over age 65.

An extremely important part of the act provided a long over-due revision of the estate and gift tax laws. This revision has considerably lessened the tax burden on modest estates. At the same time, an appropriate amount of Federal estate tax will be levied on larger estates. The bill raises the level at which an estate becomes taxable from $60,000 to approximately $175,000 when fully phased in by 1981 by replacing the $60,000 exemption with a tax credit and by restructuring the rates. Also, the marital deduction is expanded to permit larger tax-free transfers between spouses. The new law integrates the gift and estate taxes to prevent tax avoidance through "rate splitting." It also provides that certain kinds of property, including that used for farming, may be valued at its current use rather than on the basis of its highest and best use. In addition, special valuation rules are provided for family-owned, closely-held businesses.

Simplification for the ordinary taxpayer was achieved in the act by changing the tax tables for individuals so that many more taxpayers will be able to use a simpler series of tables. Another important simplification results from the permanent increase in the standard deduction, which will encourage about nine million additional taxpayers to elect the standard deduction. The bill also deleted mny obsolete and rarely used provisions from the Internal Revenue Code and makes other changes to shorten and simplify the code.

Many of the most complex, widely-used provisions of the law were not only simplified by the act, but were made more equitable as well. The child care deduction was extended to many more individuals and converted from a deduction to a 20 percent tax credit, while many of the complicated limitations on its use were eliminated. The retirement income credit has been restructured and significantly simplified and was made more equitable by converting it into a tax credit for the elderly, including those over 65 who must continue working to provide for their necessities. The complex sick pay exclusion was in low-income brackets. The alimony deduction was moved from an itemized deduction to a deduction in determining adjusted gross income, so that it can be used by people who take the standard deduction.

The act also extended the 1975 tax cuts. The increase in the standard deduction in place for the first half of 1976 was made permanent. The general tax credit which equals either $35 per person or 2 percent of the first $9,000 of taxable income has been extended through 1977. Also, the refundable earned income credit, which originated in the Finance Committee, was extended through 1977, with eligibility broadened in several ways. The increase in the investment tax credit to 10 percent has extended through 1980 along with the ESOP provisions. The increase in the corporate surtax exemption to $50,000 and reduction in rates on the first $50,000 of taxable income also extended through 1977.

The act contains several provisions to improve the efficiency of the administration of our tax laws through changes in the withholding taxes and through stricter regulation of tax return preparers. Taxpayers rights have been strengthened through establishment of definitive rules relating to the confidentiality of tax returns and through revision of procedures for the use of jeopardy and termination assessments and the issuance of administrative summons.

ENERGY

In conjunction with its work on the Tax Reform Act, the Finance Committee also approved legislation to encourage energy conservation and to increase energy supplies. Included in this legislation were provisions for tax incentives for expenditures on insulation and solar energy equipment in homes and businesses, and for energy-saving equipment in industry. To offset the revenue reductions resulting from implementation of the various tax incentives, a 3-year ½ cent per gallon gasoline tax was included. This legislation was not acted upon by the Senate before the conclusion of the 94th Congress.

ADMINISTRATION OF THE INTERNAL REVENUE CODE

The Subcommittee on Administration of the Internal Revenue Code conducted several inquiries concerning the administration of the tax laws. On April 21 and 28, 1975, and on January 23, 1976, that subcommittee conducted a comprehensive review of the subject of taxpayer privacy and the confidentiality of individual Federal income tax returns. As a result of these inquiries, legislation safeguarding the confidentiality and privacy of tax returns and tax information was approved by the committee as part of the Tax Reform Act of 1976. In general, this legislation provides safeguards for the disclosure of

tax returns and tax return information to the President and White House staff, to the U.S. attorneys and the Department of Justice in criminal and civil tax cases and nontax criminal and civil cases, other Federal agencies and State and local governments. Stiff criminal penalties were provided for violation of the new disclosure rules (fine of up to $5,000 and imprisonment of up to 5 years or both).

JEOPARDY AND TERMINATION ASSESSMENTS

On November 5, 1975, the subcommittee held hearings on the use of jeopardy and termination assessments and administrative summonses as tools by the Internal Revenue Service in attempting to enforce the Federal tax laws. As a result of this effort, the committee approved as part of the Tax Reform Act of 1976 provisions safeguarding the rights of taxpayers where jeopardy and termination assessments are made and where administrative summonses are issued by the Internal Revenue Service.

Under the new law taxpayers must be provided with a written statement setting forth the basis for a jeopardy or termination assessment within 5 days after the assessment is made. Administrative review must be provided within an additional 15 days and the taxpayer can initiate a review by the U.S. District Court of the reasonableness of such assessments. In the case of administrative summonses, taxpayers must be notified of the service of such summonses served on third parties. Enforcement of such summonses must be sought by the Internal Revenue Service in Federal court and taxpayers have been granted the right to challenge enforcement in such proceedings.

PRIVATE LETTER RULINGS

The Subcommittee on Administration of the Internal Code also delved into the problem involved in the disclosure of private letter rulings issued by the Internal Revenue Service. At hearings held on November 6, 1975, the subcommittee solicited the views of numerous tax practitioners and tax scholars concerning their views as to the appropriate procedure for insuring the integrity and continued viability of the private letter ruling process. Consequently, the committee was able to approve legislation in the Tax Reform Act of 1976 setting forth specific procedures for the public inspection of written determinations by the Internal Revenue Service concerning the proper tax treatment of particular transactions.

IRS AND FEDERAL LAW ENFORCEMENT

On December 1 and 3, 1975, and January 22, 1976, the subcommittee conducted hearings on the role of the Internal Revenue Service in Federal law enforcement activities. These hearings focused on the inherent conflicts in safeguarding the privacy of Federal income tax returns and, at the same time, utilizing the Internal Revenue Service as an adjunct to the law enforcement efforts of the Department of Justice in tax and nontax criminal matters. These hearings were a major aid in obtaining certain agreements between the Internal Revenue Service and the Department of Justice concerning their respective

roles and the degree of cooperation to be sought in the areas of tax law enforcement and general criminal law enforcement.

PRIVATE PENSION ACTIVITY

On February 2 and 3, 1976, the Subcommittee on Private Pension Plans held public hearings on paperwork requirements under the Employee Retirement Income Security Act of 1974. These hearings highlighted the interest of many members of the committee in significantly reducing the compliance burdens under this legislation and easing the documentary requirements imposed under Treasury and Labor Department regulations. Substantial concern has been expressed concerning the adverse effect burdensome administrative requirements have on the expansion of the private pension system.

STATE TAXATION OF INTERSTATE COMMERCE

The Subcommittee on Energy, on March 8, 1976, initiated hearings on the taxation on the generation of electricity. At issue was whether such a tax could constitute a reasonable burden on interstate commerce. Legislation barring such taxes was approved in the Tax Reform Act of 1976, prohibiting any State or political subdivision of a State from directly or indirectly imposing any tax on the generation or transmission of electricity which discriminates against out-of-State users.

CONFIRMATION HEARINGS

In addition to its work on remedial legislation and hearings on legislation, the committee has also found that its legislative review of the internal revenue laws can be pursued effectively through the confirmation hearings held to consider appointments to the positions of Secretary of the Treasury, Under Secretary of the Treasury, Assistant Secretary for Tax Policy, Commissioner of Internal Revenue, and Chief Counsel of Internal Revenue. In such hearings the committee is able to bring up matters concerning the administration and execution of the internal revenue laws which have come to the committee's attention from constituents, hearings on proposed tax legislation and through its own initiative. The committee seeks the cooperation of the prospective appointee as to tax policies and procedures designed to remedy the administrative actions the committee believes inconsistent with established congressional intent.

The effectiveness of legislative review through confirmation hearings on proposed Treasury appointees has been proven many times through the subsequent actions of the confirmed appointees with respect to specific problems and general approaches relevant to the implementation of laws in areas under the jurisdiction of the committee.

COMMITTEE INQUIRIES

From time to time, the committee also directs specific complaints concerning administration of the internal revenue laws to the Commissioner of Internal Revenue with a request for him to investigate and report back to the committee. Generally, these complaints raise

questions concerning the lack of efficiency or impartiality by the Internal Revenue Service in the administration of the tax laws. The Commissioner of Internal Revenue invariably shows considerable diligence and attention to such inquiries from the committee.

PUBLIC INQUIRIES

Finally, because of the broad impact of the internal revenue laws, the public, including individuals and associated groups, is relied on to bring to the committee's attention inequities in the execution of substantive tax laws and inefficiencies in the procedural administration of such laws.

MISCELLANEOUS ADDITIONAL MATTERS CONSIDERED BY THE COMMITTEE

Federal estate tax laws

The full committee on May 17, 1976, held hearings on revision of the Federal estate tax laws. These hearings permitted many individuals and groups with an opportunity to advise the committee of their views on the subject of estate tax reform. The committee ultimately included in the Tax Reform Act of 1976 the most comprehensive revision of the estate and gift tax provisions of the tax laws since 1942. The measures incorporated in the Tax Reform Act significantly increased the level at which estates will be subject to Federal estate tax. It also unified estate and gift tax rates, increased the marital deduction, provided for special valuation of certain farm property, liberalized the provision allowing an extension of time for the payment of estate taxes, imposed a special tax on generation-skipping transfers, provided for a carryover of the basis of property acquired or passing from a decedent.

Taxation of interest on debt obligations issued by State and local governments and on withholding Federal income tax on interest and dividend income

The full committee also conducted hearings on the taxation of interest on debt obligations by State and local governments and on withholding Federal income tax on interest and dividends. These hearings were held on June 7, 1976. No legislation was subsequently approved along these lines prior to the adjournment of the 94th Congress.

Tax aspects of black lung benefits program

The black lung benefits program administered by the Department of Labor and the Department of Health, Education, and Welfare provides payments to former coal miners and to the survivors of such miners in cases involving disability or death from pneumoconiosis. As originally enacted, this program provided benefits funded from general revenues, and the program did not fall within the jurisdiction of the Committee on Finance. During the 94th Congress, however, the committees of jurisdiction in both the Senate and the House of Represenatives reported legislation designed to substantially amend the program and its financing. A major source of funding for benefits under the revised program would have been a tax imposed upon the mining of coal.

Since this change involved the revenues of the United States, the legislation was referred to the Committee on Finance. The committee conducted a public hearing on the bill and subsequently reported the legislation with amendments related to its tax aspects. This legislation was not, however, considered by the Senate prior to the close of the 94th Congress.

Legislative Review of General Revenue Sharing

The Subcommittee on General Revenue Sharing, on April 16 and 17, and May 21 and 22, 1975, held hearings on the operation of the General Revenue Sharing Program. The subcommittee received numerous suggestions concerning ways in which to increase public participation in the program, to heighten public awareness of the program and to improve the administration of the program. On August 25, 1976, the full committee held hearings on H.R. 13367, a bill to extend the General Revenue Sharing Program through September 30, 1980. Subsequent to these hearings, the committee approved legislation extending this program. The legislation included requirements to increase public participation in the planning process for the expenditure of funds, to increase awareness of the actual expenditure of such funds, and to assure greater accountability to the local citizenry concerning the expenditure of such funds.

Specific timetables for administrative action on charges of noncompliance with the act's nondiscrimination provisions were incorporated in the extension approved by the committee. Also, individuals were granted the right to seek awards of attorneys' fees where they prevail in suits alleging noncompliance with the various requirements imposed under the act.

Legislative Review of International Trade and Related Matters

Following the passage of the Trade Act of 1974, the Committee on Finance commenced an intensive oversight of the trade negotiations in Geneva. Committee members met with U.S. negotiators and along with members from other committees with delegations from foreign countries engaged in these negotiations. During the 94th Congress, U.S. negotiators met with the committee on a regular basis to discuss progress in the negotiations. Delegated members of the committee also participated in the negotiating sessions in Geneva in a manner consistent with their constitutional responsibilities.

The nature of the Trade Act requires that the Congress be fully informed on all U.S. negotiating positions in the Geneva round of GATT negotiations. Procedures have been worked out with the Executive to provide a flow of information to the committee on these matters. As a result of improved communications, Congress will be able to better fulfill its constitutional responsibilities over the trade agreements program in a manner fully consistent with the goals of the Trade Act and the executive's responsibility for conducting the actual negotiations.

The full committee held a number of hearings on trade and related matters in the 94th Congress. Comprehensive oversight hearings on "U.S. Foreign Trade Policy" were held in January and February of

1976 which afforded U.S. negotiators and representatives of the private sector with an opportunity to give their points of view on U.S. trade objectives in the multilateral negotiations and on the administration of laws dealing with foreign trade.

In February of 1975, the committee held hearings on "Suspending Presidential Authority to Impose Oil Import Fees." Hearings on the nominations of Frederick B. Dent, Clayton Yuetter, and William N. Walker, to be Ambassadors in the Office of the Special Representative for Trade Negotiations were held in 1975.

SUBCOMMITTEE ON INTERNATIONAL TRADE

The Subcommittee on International Trade held many meetings with various delegations involved in the multilateral trade negotiations and were largely responsible for maintaining vigorous oversight responsibilities over the Geneva trade negotiations and related international negotiations in other fora. The subcommittee also held hearings on the U.S. Romanian trade agreement in June and July of 1975 which was subsequently approved and signed into law. In September 1976, the subcommittee held an oversight hearing on the continuation of most-favored nation treatment of imports from Romania.

The subcommittee also held hearings on customs practices and procedures during 1975, particularly as they affected alleged improper practices in the Custom House in Denver.

As a result of these hearings, and of communications with the Department of Treasury, significant progress was made in improving customs policies and practices.

The Subcommittee on International Trade held hearings on specific problems such as the impact of meat imports on the cattle producers.

Finally, the subcommittee held hearings on S. Res. 265, a resolution designed to protect the ability of the United States to trade abroad by negotiating effective international agreements banning illegal bribes and payments. The resolution subsequently passed by the Senate 99–0.

SUBCOMMITTEE ON FINANCIAL MARKETS

The Subcommittee on Financial Markets was also active in the 94th Congress. In January of 1975 this subcommittee held oversight hearings on the "Effect of Petrodollars on Financial Markets."

Together with the Subcommittee on Energy, joint hearings were held on "Capital Requirements for Energy Independence" in May of 1975.

The subcommittee also held hearings in October of 1975 on various proposals to encourage savings and capital formation for the housing industry.

In cooperation with the Select Committee on Small Business, the Subcommittee on Financial Markets held hearings in February of 1976 on "Paperwork Requirements of the Pension Reform Act of 1974."

In February of 1976, the subcommittee held hearings on "Tax Policy and Capital Formation" which pointed many of the issues which the full committee dealt with in the Tax Reform Act of 1975.

SUBCOMMITTEE ON INTERNATIONAL FINANCE AND RESOURCES

The Subcommittee on International Finance and Resources also (maintained) exercised its oversight responsibilities in the 94th Congress. In January, 1975, this subcommittee held hearings on the proposed FRELOC claims settlement. This settlement involves claims on the government of France for U.S. assets left in France after the transfer of NATO forces to other countries.

In January of 1976, the subcommittee concluded broad ranging hearings on the "Causes and Cures of World Inflation", and in February of 1976, on "Foreign Indebtedness to the U.S.". This latter hearing covered World War I, post-World War II and Soviet Indebtedness.

The subject of "Foreign Portfolio Investments in the United States" was the subject of oversight hearings by this subcommittee in March of 1976.

SUBCOMMITTEE ON ENERGY

After holding extensive hearings on energy proposals in 1973 and 1974, the Subcommittee on Energy continued to provide important service to the Senate by holding hearings on the "Depletion Allowance" in March of 1975 and on "Capital Requirements for Energy Independence" in May of that year. In March of 1976, this subcommittee conducted hearings on "State Taxation on the Generation of Electricity."

List of Hearings Held by the Committee on Finance Full Committee

TAXATION

H.R. 2166—Antirecession tax cut (March 5, 10, 11, and 12, 1975)
----------—Extension of the expiring tax cut provisions (December 9, 1975)
H.R. 10612—Tax Reform Act of 1975 (March 17–April 13, 1976)
----------—Revision of Federal estate tax law (May 17, 1976)
----------—Taxation of interest on debt obligations issued by State and local governments on withholding Federal income tax on interest and dividend income. (June 7, 1976)
----------—Committee amendments to H.R. 10612 (July 20, 21, 22, 1976)

DEBT LIMIT

H.R. 2631—$531 billion debt limit (February 7 and 10, 1975)
H.R. 8030—$577 billion debt limit (June 25, 1975)
H.R. 10585—$595 billion debt limit (November 12, 1975)
H.R. 11893—$627 billion debt limit (March 4, 1976)
H.R. 14114—$700 billion debt limit (June 24, 1976)

FOREIGN TRADE

S. Con. Res. 35—Romanian Trade Agreement (June 6 and July 8, 1975)

----------—Oversight hearings on U.S. foreign trade policy (January 29, 30 and February 4 and 6, 1976)
----------—Authorization of appropriations for U.S. International Trade Commission (March 5, 1976)
----------—Meat import quota amendments (September 20, 1976)

ENERGY

H.R. 6860—Energy Conservation and Conversion Act of 1975 (July 10, 11, 14, 15, 16, 17, 18, 1975)

HEALTH

S. 496—Health insurance and the unemployed (March 7, 1975)
H.R. 10760—Tax aspects of black lung benefits legislation (September 21, 1976)
S. 2450—Child care staffing requirements (October 8, 1975)

REVENUE SHARING

H.R. 13367—General revenue sharing (August 25, 1976)

UNEMPLOYMENT COMPENSATION

H.R. 6900—Unemployment compensation (June 10, 1975)
S. 1502—Unemployment compensation (June 10, 1975)
S. 1810—Unemployment compensation (June 10, 1975)
H.R. 10210—Unemployment compensation amendments of 1976 (September 8, 9, 1976)

OTHER MISCELLANEOUS BILLS

----------—Various Revenue and Tariff Bills (August 24, 1976)

NOMINATIONS

Frederick B. Dent, March 18, 1975
Richard C. Holmquist, May 14 and 15, 1975
William M. Walker, May 14 and 15, 1975
Clayton Yeutter, May 14 and 15, 1975
Forrest David Matthews, July 15, 1975
Charles M. Walker, July 15, 1975
Edwin H. Yeo III, July 29, 1975
Majorie W. Lynch, November 4, 1975
Harold Eberle, November 4, 1975
George Dixon, February 26, 1976
William H. Taft II, February 26, 1976
Robert A. Gerard, April 1, 1976
Jerry Thomas, April 1, 1976

List of Hearings Held by the Committee on Finance Subcommittees

SUBCOMMITTEE ON INTERNATIONAL TRADE

S. 265—Protecting the ability of the United States to trade abroad (October 6, 1976)
Alleged improper practices in Customs House at Denver, Colo. (October 23, 1975 and December 8, 1975)
Continuing most-favored national treatment of imports from Romania
Meat imports (March 15, 1976)

SUBCOMMITTEE ON INTERNATIONAL FINANCE AND RESOURCES

Proposed FRELOC claims settlement (January 16, 1975)
Causes and cures of world inflation (January 26, 1976)
Foreign indebtedness to the United States (February 23, 1976)
Foreign portfolio investment in the United States (March 1, 1976)

SUBCOMMITTEE ON FINANCIAL MARKETS

Effect of petrodollars on financial markets (January 30, 1975)
Capital requirements and energy independence (May 7 and 8, 1975)
Capital requirements of housing industry: Proposals to encourage savings
Tax policy and capital formation (February 18 and 19, 1976)

SUBCOMMITTEE ON ENERGY

Depletion allowance (May 17, 1975)
State taxation on generation of electricity (March 8, 1976)

SUBCOMMITTEE ON REVENUE SHARING

General revenue sharing (April 16, 17, May 21, 22, 1975)

SUBCOMMITTEE ON ADMINISTRATION OF INTERNAL REVENUE CODE

Federal tax return privacy (April 21, 28, 1975 and January 23, 1976)
Jeopardy and termination, assessments and administrative summonses (November 5, 1975)
Public inspection of IRS private letter rulings (November 6, 1975)
Role of IRS and Federal law enforcement activities (December 1, 3, 1975 and January 22, 1976)

SUBCOMMITTEE ON HEALTH

State compliance with Federal medicaid requirements (June 7, 1976)
Medicare and medicaid administrative and reimbursement reform (July 26, 27, 28, 29, 30, 1976)

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